

**Testimony of Kevin Gilligan,**  
**Chairman and Chief Executive Officer, Capella Education Company**  
**House Education & the Workforce Committee Hearing:**  
**“Keeping College Within Reach: Meeting the Needs of Contemporary Students.”**  
**April 2, 2014**

**INTRODUCTION**

Mr. Chairman, Ranking Member Miller, and distinguished members of the Committee, my name is Kevin Gilligan and I am the Chairman and CEO of Capella Education Company. Our company is comprised of several parts, including: our most significant and well known entity, Capella University, which began more than 20 years ago with a mission to help adults pursue a master’s or doctoral degree while working full-time and pursuing a career; Sophia Learning, which provides low-cost pathways to general education credits; and an employer solutions business which partners with large-scale employers to create online learning solutions.

Thank you for having this hearing today. I believe the topic we’re here to discuss, keeping college in reach for contemporary students, is a national imperative. American competitiveness is directly linked to our ability to make higher education more affordable, deliver increased value, better align to workforce needs and opportunities and broadly increase educational opportunity. The path to addressing this national imperative is through innovation.

Innovation has always been at the core of Capella’s history and our contribution to higher education. We were at the vanguard of online learning and for the last decade we’ve been a nationally recognized leader in competency-based education. This expertise in competency-based education enabled us last year to become the first institution in America approved by the Department of Education to offer financial aid eligible bachelors and masters level degrees based on the direct assessment of learning, rather than the traditional model built around the time-based credit hour.

It is this latest innovation that I’ve been invited to address with you here today.

The average Capella University student, a forty year-old female in the middle of her career, is, in many ways, the face of the contemporary student. The innovation of a degree based on the direct assessment of learning can be a uniquely good fit for her. In some cases, adults bring real-world experience they can apply to move more quickly through a degree program. The direct assessment model allows institutions to be more flexible in the delivery of learning.

Direct assessment degrees are not a panacea or a perfect fit for every student. It will not replace the credit-hour based system of higher education. However, earning degrees based on the direct assessment of learning, rather than the traditional time-based model, has the potential to: dramatically increase flexibility for students; significantly reduce the cost of a degree; speed time to degree completion; and increase access for working adult populations that are not currently served by today’s higher education model.

I'd like to use my testimony today to provide some background on competency-based education; explain how our innovative direct assessment program, which we call FlexPath, works as a model for competency-based education; and then close with some policy implications and recommendations.

#### ABOUT CAPELLA UNIVERSITY

First, in order to provide some context, I'd like to offer some background on Capella University. Established in 1993, Capella University has built its reputation on delivering high quality, online, graduate focused degree programs to working adults. Approximately 75 percent of Capella's students are currently enrolled in master's or doctoral-level degree programs in areas like business, education, health care, and information technology, among others. We also offer bachelor's-level programs in areas such as business, information technology, nursing, psychology, and public safety. All in all, Capella offers 43 degree programs with 143 specializations. We enroll approximately 35,000 learners from all 50 states and 61 different countries, are accredited by the Higher Learning Commission and are a member of the North Central Association of Colleges Schools. Capella graduates are serving today as CEOs, CIOs, CTOs, as well as being leaders in health care and public service. We are proud to be headquartered in Minneapolis, Minnesota.

For the past 10 years, we have wholly integrated and continually invested in a competency-based learning approach throughout our university, even while constrained for federal student financial aid purposes by time-based credit hour requirements. Competency-based education is designed around the critical skills, knowledge, theories, and abilities—or "competencies"—required to master the subject matter in a student's degree program. Capella's competency-based curriculum is designed for busy, experienced professionals who want to gain the relevant competencies to help advance their career—and in the most efficient way. This model enables us to map academic and professional standards to all of our degree programs and more fully support students as they progress through their program.

Last year, as I mentioned, Capella University received approval from the U.S. Department of Education to be the first institution in the nation to offer and provide federal student financial aid support to students in competency-based direct assessment programs at the bachelor's and master's level. "Direct assessment" was an existing, but unused regulatory tool. Southern New Hampshire University has been approved to offer associates degrees under the direct assessment provision. Under this new model we call FlexPath, degree programs are constructed around what graduates should know and be able to do, rather than simply the number of hours spent in a classroom or doing homework.

#### COMPETENCY-BASED EDUCATION AND DIRECT ASSESSMENT

I'd like to take a minute to explain competency-based education and direct assessment. Competency-based education (CBE) models can vary widely in design, but all explicitly articulate what students must be able to know and do upon graduation and provide assessments that validate this learning throughout a student's experience in the program. Competencies can

be thought of as a combination of "knowledge, skills, and abilities, behavioral and other characteristics needed to perform work roles successfully." These attributes can be field specific, like accounting, or broader, such as critical thinking and problem solving. CBE programs can be credit-hour based.

Direct assessment frees CBE from the credit hour by decoupling student learning from time. As you know, the credit hour is the current foundation of higher education. It measures degree progress and it is the basis for our financial aid system. Because the credit hour is time-based, it has enabled measurements such as "seat time" which measures the amount of time someone is to spend sitting in a classroom. In some cases, we do not believe that time-based tools constitute the best measurement of student progress, especially for modern adult students.

Direct assessment measures student knowledge and learning, rather than seat time and grades. What matters is knowledge gained, not the amount of time it took to gain it. Additionally, learning can take place outside of the classroom, so it can become self-paced. This decoupling is powerful but poses complicated problems for federal financial aid policy.

### FLEXPATH

Capella University's interest in providing educational opportunities for non-traditional students has been a cornerstone of its mission since its inception. Capella's founders understood that brick and mortar institutions, geared primarily towards 18-22 year-olds, were not meeting the needs of working adults who were already juggling career and family priorities. To that end, Capella has continually developed innovative programs that are responsive to the needs of adult students and involve active, engaging, challenging and relevant learning experiences in a variety of delivery modes.

Capella's decision to launch a competency-based direct assessment program came as a clear extension of this mission, and was built upon our learning outcomes-based curriculum and assessment model supported by learning analytics, curriculum development and student support services. This served as the foundation of the FlexPath model. Based on our experience serving adult students, we recognized the need for a new delivery model geared toward the non-traditional college student that offered greater flexibility and reduced cost.

Leveraging the direct assessment model of delivery would provide students the opportunity to receive the same high-quality education as our traditional program but with a new kind of flexibility.

### **FlexPath Model**

FlexPath offers greater flexibility for students who are interested in learning on their own terms. There are no pre-set deadlines for assessments, but instead students build their own learning plan that allows them to set their own pace. This way, FlexPath students are able to spend more time on areas that are less familiar and move more quickly through areas where they have experience and knowledge during a term. Because students set their own pace, they can complete as many courses as their schedule allows which can ultimately lead to a lower cost degree. Because FlexPath utilizes a subscription-pricing model, \$2,000 per quarter for

undergraduate programs and \$2,200 for graduate programs, students are able to save money as they save time; the more courses a student takes in a term, the less money that student will end up spending on their degree program.

FlexPath is agnostic to the source of learning. Purchasing specific books and materials is not required for most courses and students can draw on any materials and resources they want, including textbooks, e-books, simulations, videos, articles, experiences at work, open source materials, etc. Students still have the option to purchase Capella recommended textbooks, but ultimately the student is required to display mastery of competencies through knowledge and skills, regardless of where the material comes from. This model provides an ideal format for students who bring with them professionally relevant and real-world experience with which to connect the concepts they are learning.

Mastery over subject matter is achieved solely through demonstration of competency, instead of the traditional methods of evaluation. Once a student has mastery over the competencies needed for a particular course, they can complete the assessment. These assessments are not multiple choice tests, but are authentic assessments in which the student applies knowledge and theory to successfully complete projects they would encounter in the workplace. For example, a business undergraduate student would develop a series of financial analyses and demonstrate competencies that include:

1. analyzing the relationship between business events and accounting;
2. applying accounting principles as the language of business; and
3. communicating the effects of business events on an organization's financial structure.

Because this is a mastery model, a student is given feedback and an opportunity on each assessment to improve results. Faculty, who are both academics and professionals in their fields, will review and evaluate the assessments and provide robust feedback from which the student can then learn and improve. Often, students are strategically exposed to competencies multiple times throughout their program to highlight importance and emphasize demonstrated success.

Successful construction of Capella's FlexPath program relied on the implementation of a fully embedded assessment model that allows for the direct assessment of each student's demonstrated course competencies and program-level learning outcomes. This work involved engaging Capella faculty subject matter experts, curriculum specialists, instructional designers and assessment specialists to align every program's scoring guide criteria with specific competencies and learning outcomes. FlexPath also aligns with Capella's traditional programs. A graduate of FlexPath's MBA will be required to demonstrate the same competencies as a graduate of our traditional online program.

Demonstrated competencies are displayed for the student on a "transcript" that doesn't rely on credit hours or a traditional grade point average. Instead, a student—and her employer—can get an accurate representation of what she has learned in her program as indicated by mastery over concepts that apply directly to the student's field of study. In order for a student to progress through her course, the student must successfully demonstrate mastery over all competencies. This ensures that the student is prepared for her chosen career path.

FlexPath aligns education with workforce needs as well as societal needs for a more educated citizenry. In a model where competencies are tracked exactly to those skills needed to succeed in a particular field, educators, employers and students can be confident that curricula will be relevant and graduates will be employable. The competency-based student's work is often something that can be applied directly to the student's field of study or current employment, making evident the connection between tracked competencies and employer needs.

Student support is equally critical in the successful delivery of FlexPath. FlexPath utilizes a three-part support structure to help students succeed in their program. FlexPath coaches focus on student progress and holding students accountable to the timeline they have developed, facilitating a proactive coaching relationship and working closely with faculty and tutors. These coaches serve an important function, especially to students who may need additional help moving through their program. Coaches intervene strategically to ensure that students are making progress, tracking to milestones and continually evaluating their program plan, from the beginning of their academic program until graduation. FlexPath tutors are content experts who are assigned to each course and provide a visible resource in the courseroom for student questions. FlexPath faculty focus on design and development of the curriculum as well as performing rigorous assessments and evaluations of student performance, and on assessments and evaluations, providing substantive feedback critical to student achievement. Working together, these three support functions help students move through their program efficiently, maximizing learning, time and cost.

Students in the FlexPath program also have access to a supportive online community of peers. Involvement in the online community is completely optional, but allows students the opportunity to seek support from and engage with others who are pursuing the same program. Students are able to network with others, which creates an organic learning community outside of the courseroom.

Whether a student is transferring in to FlexPath or has made the decision to transfer out, Capella follows the same transfer policies and practices as our traditional programs. We use the same approach and established practices for applying this incoming coursework (which comes to us as credits) toward the program requirements as we do for the same program in the credit-based model. Capella evaluates official transcripts from regionally accredited or internationally recognized institutions to determine acceptance of transfer credit and we may accept transfer credit from some non-regionally accredited institutions or programs on a case-by-case basis. We also award credit for acquired learning external to the university, based on nationally recognized examination programs such as the College-Level Examination Program (CLEP), DANTES Subject Standardized Tests (DSST), and American Council on Education (ACE)-recommended credits for learning, including business-related certifications and corporate and military training. Finally, if a FlexPath student is interested in transferring out of Capella, our registrar will articulate the competency transcript into a more traditional format, so that the student is able to apply those courses to a program at another institution.

### **Early Testing**

In early 2013, we created a pilot to test the design and delivery of our competency-based direct assessment model, measure its effectiveness for students and for student experience and performance, and better understand student support needs. While these numbers are still relatively small, we are pleased with the early trends. Select courses were offered to existing students who met criteria indicating strong prior performance and likelihood to succeed in this model. During the pilot, data was collected to assess the preparedness of faculty and key student-facing support teams to deliver these courses. The results from the pilot were extremely informative to the development of FlexPath in its current state.

### **Process of Approval**

Capella has had a strong relationship with the U.S. Department of Education for many years. We reached out to them to discuss the requirements, criteria and process for developing a direct assessment program. After reviewing the framework of our traditional model, we received a green light to move forward with the development of a competency-based direct assessment model that, under the Department of Education's regulations, would allow students to fund their education with federal student financial aid. It took Capella over a year to develop two programs, a bachelor's in Business and a master's in Business Administration and secure the necessary state, accreditor and federal approvals. During this time Capella participated in a robust, collaborative interaction with the HLC, the Minnesota Office of Higher Education, our home state regulator; and the Department to ensure clarity of and compliance with all requirements. We received approval in August 2013 and launched FlexPath the following October.

### **Early Results**

Our first priority has been to get the academic model for FlexPath right. We capped enrollments and have been highly focused on learning as we move forward in this new model. We've now completed two quarters of FlexPath and the results are highly encouraging. Our bachelor's degree students, on average, successfully completed 1-3 courses in their first term, took 3-12 weeks to complete the required first course, and 3-6 weeks for subsequent courses. Students persisted at a rate of 100 percent to next term. Our master's degree students successfully completed, on average, 1-3 courses in their first term, took 1-12 weeks to complete the required first course, and 50 percent took about five weeks to complete subsequent courses. Eighty-eight percent persisted to next term.

To put a face on these early results, here is an example of one of our students. He is a project manager at Boeing which is one of our corporate partners. He was trying to earn his bachelor's degree and was working full-time to avoid accumulating any student loan debt. He took advantage of Boeing's employer-education reimbursement program and would put his education on hold when he maxed out on his employer reimbursement for the year. He transferred into FlexPath in January – which was the first opportunity for existing bachelor students to transfer in – and completed five courses in the quarter to graduate in March. When we asked how he was able to do this, he said “my real world experience.”

### **Potential for Cost Savings**

In addition to the encouraging results on faster completion and persistence, the potential savings to students, taxpayers and the federal government is staggering. Programs like FlexPath that use a subscription style pricing model, have the potential of cutting the cost of a degree in half. In fact, using FlexPath to illustrate this point, the Pell Grant would be able to do what it has been intended to do since its inception—cover the majority of the cost of a degree. A Pell-eligible student enrolling in at least three courses per quarter could finish a bachelor's degree in two years with a total program cost of \$16,000. Pell would cover nearly 75 percent of program costs. This helps to eliminate a barrier to access while providing significant cost savings to the student and the federal government. Competency-based direct assessment programs would also create cost savings for other populations of students. Veterans using Post-9/11 GI Bill funds would see the cost of their degree reduced by 50 percent or more depending on how many courses they take per quarter. This is not only a cost savings to the veteran, but also to the federal government, and, ultimately, to the American public as taxpayers.

### **FUTURE OF DIRECT ASSESSMENT**

As we move forward with this new model of educational delivery, we recognize that there are ample opportunities to better understand how best to support the direct assessment student, how to successfully build a scalable model and how to continually improve learning outcomes. This evaluation can only be done through partnering with our FlexPath students to understand their needs and continually adjust and improve our program offerings. We expect and anticipate that competency-based direct assessment will look different five years from now, and we are excited to be a leader in helping the model to evolve.

We recently announced the launch of three new specializations within our BS in Business and one new specialization in our MBA program offering. In addition to focusing resources on building new courserooms for the expansion of FlexPath, Capella is also investing in improvements to our already robust student services infrastructure. This has included training dedicated support staff who are experts in the unique needs of the FlexPath population, as well as investing in system enhancements to ensure that students have access to all of the tools they need to be successful.

We are also dedicated to sharing what we've learned with other leaders in higher education to help change the landscape of competency-based direct assessment programs. Capella's involvement in groups like the Competency-Based Education Network (C-BEN), for example, has helped unite schools with programs like FlexPath in order to learn, innovate and influence change together. These conversations have all helped to move the dial on competency-based direct assessment and have allowed for reimagining how we might understand the future of higher education.

### **Barriers to Widespread Adoption**

We believe competency-based education broadly, and direct assessment programs specifically, hold enormous potential to lower the cost of a degree, increase value, better align to workforce

needs, and increase access. However, for this model to work at its full potential, there are specific legislative and regulatory barriers we need to resolve in ways that strengthen the model while responsibly maintaining safeguards for students.

Both Congress and the Department have recognized this need; Congress through the introduction of HR 3136, The Advancing Competency-Based Education Demonstration Project Act, and the Department through their Experimental Site Initiative on competency-based education. Initiatives like these are necessary for direct assessment programs to reach their full potential

Adhering to a traditional credit hour model as an indirect indication of learning presents a potential barrier to educational access and attainment, as course participation and the constraints of the credit hour requirements are often not tailored to the self-paced learning needs of the adult student. We are focused on helping construct a higher education landscape built around ensuring access to flexible competency-based direct assessment programs while safeguarding tax-payer funds and limiting administrative burden. Decisions about how best to transform federal student financial aid requirements must include safe space for schools to innovate and evaluate what may work best for this non-traditional population. This includes supporting the development of a congressionally sponsored demonstration project mentioned above-HR 3136, the Advancing Competency-Based Education Demonstration Project Act. Some of the legislative changes we'd like to see addressed include:

- Support for hybrid programs. Currently, students cannot take one course in a direct assessment program and another course in a traditional program. They can only enroll in a direct assessment program or a traditional program. This reduces the impact of direct assessment. We believe that few students will be a perfect fit for either model and students would benefit from the ability to build a degree plan which allows them to personalize a path that works best for them.
- Decoupling of credit hour from federal student financial aid. Direct assessment attempts to operate free of the credit hour, but federal student financial aid is still entirely based on the credit hour. Thus, in order to secure the Department of Education's approval for federal student financial aid to support students in our competency-based direct assessment programs, we had to develop equivalencies between the attainment of competencies and the traditional time-based, credit hour model. We want to engage in thoughtful and responsible policy development around ways to build a federal financial aid system that supports direct assessment and the outcomes it produces.

Finally, we are developing plans for what the future of FlexPath may look like. The future will be determined by what we are learning today. We know that competency-based direct assessment is not right for everyone. In order to be successful, the direct assessment student needs to be highly motivated and a self-starter. Students who thrive with more structure may be more comfortable in a hybrid or a more traditional learning environment. Similarly, students who have little professional experience or who aren't able to move more quickly through the material will likely find that this new learning model may not be right for them. But for many of these students, direct assessment course offerings can be an important, time and cost saving component of their higher education plan. This is where direct assessment has the potential to

have widespread impact, becoming more accessible to a variety of students. While Capella continues to build FlexPath, we will continue to offer and expand our traditional programs because they serve an important role in educating working adults. For those students for whom the competency-based direct assessment model is a good fit, Capella will continue to innovate, grow and develop the FlexPath program.

#### CONCLUSION

Let me close, Mr. Chairman, by thanking you and Representative Miller for the opportunity to come here and tell our story. Thank you for your national leadership and commitment to strengthening American education and competitiveness.

Finally, let me say that I am deeply proud to lead such a mission-driven organization. It is an honor to represent Capella's faculty and staff who believe in and are committed to the innovation of competency-based learning; and I am proud of the service we provide to our adult graduates and learners who represent the great resource that exists in America's workforce. I look forward to being part of the discussion and answering your questions around federal policy that enhances this important innovation.